

**NEBRASKA INVESTMENT COUNCIL
MINUTES OF THE MEETING OF
September 30, 2008**

A regular meeting of the Nebraska Investment Council convened at 8:30 a.m. at the Marriott Hotel in Omaha, NE.

Public notice was posted on the Nebraska Public Meeting Calendar on September 22, 2008, and published in the Lincoln Journal Star on September 23, 2008. Ms. Werner-Robertson chaired the meeting and Ms. Dawes recorded the minutes.

MEMBERS PRESENT:

Ms. Gail Werner-Robertson, Chairwoman
Dr. Richard DeFusco
Mr. John Maginn
Mr. John Dinkel
Mr. Norm Riffel
Treasurer Shane Osborn
Ms. Phyllis Chambers

NONMEMBERS IN ATTENDANCE:

Mr. David Bomberger, State Investment Officer
Ms. Kathy Dawes, Council Secretary
Mr. Joe Jurich, Nebraska Investment Council
Ms. JoLynn Winkler, Nebraska Investment Council
Mr. Christopher Heinrich, Harding & Shultz
Mr. Kevin Vandolder, Ennis Knupp + Associates
Mr. Chris Riley, Ennis Knupp + Associates
Ms. Heather Christopher, Ennis Knupp + Associates
Mr. Dan Drake, Ennis Knupp + Associates
Mr. Jason Hayes, Deputy State Treasurer
Ms. Rachael Biar, Director, College Savings Program
Mr. Gary Bush, State Budget Division
Mr. Jay Steinacher, Union Bank & Trust Company

ADVISE THE PUBLIC THAT THE OPEN MEETINGS LAWS APPLY: 8:30 a.m. to 8:31 a.m. Ms. Werner-Robertson stated that a copy of the Open Meetings Act is located on the side table.

APPROVAL OF THE MINUTES OF THE AUGUST 12, 2008, AUGUST 26, 2008, AND SEPTEMBER 12, 2008 MEETINGS: 8:31 a.m. to 8:33 a.m. Mr. Dinkel moved that the August 20, 2008, draft of the August 12, 2008, the August 29, 2008, draft of the August 26, 2008, and the September 12, 2008, draft of the September 12, 2008, meetings be approved. Mr. Maginn seconded the motion. Ms. Werner-Robertson called for a roll call vote.

VOTING AYE:

Dr. DeFusco
Mr. Maginn
Mr. Dinkel
Mr. Riffel
Ms. Werner-Robertson

The motion carried.

COUNCIL MEMBER BUSINESS: 8:33 a.m. to 8:50 a.m. Ms. Werner-Robertson welcomed everyone and discussed with the Council the current market conditions. Ms. Werner-Robertson stated the NIC's development of a consistent long term investment strategy, staying the course, and the importance of applying our process of diversification and risk management will reduce the portfolios exposure to risk.

Mr. Bomberger requested that Mr. Heinrich and Mr. Vandolder review with the Council the fiduciary responsibility of Council members. Mr. Heinrich gave an overview of the Nebraska Revised Statutes that set forth the standard of care required of the Council, common law fiduciary requirements, and prudent investment. Mr. Vandolder stated that a very diligent and thoughtful process has and should continue to be undertaken by the Council and that the Council has implemented and should continue to maintain a long term investment plan.

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PERFORMANCE REPORT: 8:50 a.m. to 9:45 a.m. Mr. Vandolder discussed with the Council Ennis Knupp's report included in the meeting book entitled "Recent Financial System Developments and Implications". Mr. Vandolder stated that in the midst of this financial system volatility, Ennis Knupp continues to encourage its clients to focus on the long term with the use of sound capital market expectations when setting and re-visiting their investment policies. Mr. Riley distributed returns for the Defined Benefit Plan as of September 26, 2008. Mr. Riley commented on the 2nd quarter market environment and the portfolios' investments. Ms. Christopher and Mr. Drake gave an overview of the real estate investments. A copy of the DB returns is included in the attachments to the minutes.

REAL ESTATE PRESENTATION: 9:45 a.m. to 9:55 a.m. Ms. Christopher and Mr. Drake reviewed with the Council Metropolitan Real Estate Equity Management, LLC (Metropolitan). Metropolitan manages funds of funds in the value added and opportunity fund space. Metropolitan is currently establishing Metropolitan Real Estate Partners VI (MREP VI), which focuses on domestic funds. Metropolitan does not set a specific target or maximum size for the Fund. Ms. Christopher indicated that Ennis Knupp has conducted a thorough qualitative and quantitative assessment of Metropolitan and MREP VI. Mr. Drake discussed with the Council the investment merits and concerns of each. Based on their due diligence, Ennis Knupp recommends a \$20 million commitment to Metropolitan Real Estate Partners VI for the General Endowments and the HealthCare Endowment. A copy of the presentation was included in the meeting book.

PRESENTATION BY METROPOLITAN REAL ESTATE EQUITY MANAGEMENT, LLC: 9:55 a.m. to 10:30 a.m. Mr. Bomberger introduced Ms. Beth-Anne Flynn, Senior Vice President and Mr. Jeremy Ford, Vice President. Ms. Flynn and Mr. Ford's presentation gave an organizational overview of the firm, investment, philosophy, investment process and portfolio construction. A copy of the presentation was included in the meeting book.

Following the presentation by Metropolitan Real Estate Equity Management, LLC, Mr. Maginn moved to commit \$20 million to Metropolitan Real Estate Partners VI, for the General Endowments and the HealthCare Endowment, pending legal review of the Limited Partnership Agreement by counsel provided by Ennis Knupp and by the Council's attorney. Dr. DeFusco seconded the motion. Ms. Werner-Robertson called for a roll call vote.

VOTING AYE:	Mr. Maginn
	Mr. Dinkel
	Mr. Riffel
	Ms. Werner-Robertson
	Dr. DeFusco

The motion carried.

At 10:30 a.m. the Council took a break and reconvened at 10:45 a.m.

ASSET ALLOCATION IMPLEMENTATION PLAN UPDATE BY ENNIS KNUPP: 10:45 a.m. to 11:10 a.m. Mr. Vandolder and Mr. Riley reviewed with the Council the "Global Equity Implementation Plan" included in the meeting book. At the August 12, 2008, Council meeting, the Council approved increasing the allocation to global equity from 5% to 15% and requested that Mr. Bomberger conduct due diligence visits and invites his top candidates to present at the September 30, 2008, Council meeting. Mr. Bomberger updated the Council on the due diligence visits and Mr. Vandolder reviewed with the Council the process taken by Ennis Knupp in their review of five candidates. Mr. Bomberger and Ennis Knupp recommend hiring Mondrian Investment Partners Ltd. and IronBridge Capital Management L.P.

PRESENTATION BY MONDRIAN INVESTMENT PARTNERS LTD.: 11:10 a.m. to 11:40 a.m. Mr. Bomberger introduced Mr. Brendan Baker, Senior Portfolio Manager and Mr. Paul M. Ross, President. Mr. Baker and Mr. Ross' presentation gave an organizational overview of the firm, philosophy, investment strategy, and objectives. A copy of the presentation was included in the meeting book. Mr. Bomberger indicated that the global manager presentations would continue after the Council takes a break.

At 11:40 a.m. the Council took a break and reconvened at 11:50 a.m.

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STATE INVESTMENT OFFICER'S REPORT: 11:50 a.m. to 12:15 p.m.

IMA's executed since the last meeting: Mr. Bomberger informed the Council that investment manager agreements executed since the last Council meeting were with Lincolnshire Management, Inc. and Accel KKR Capital Management.

College Savings Plan Agreements: Mr. Bomberger indicated that the agreements with State Farm, Oppenheimer, and InvescoAIM were executed on September 25, 2008.

Audit: Dr. DeFusco and Mr. Bomberger updated the Council on the annual Agency audit being performed by the State's Auditor of Public Accounts, (APA). An exit conference was recently held and attended by members of the NIC Council, NIC staff and APA's staff. The Audit Report will be issued in October and the APA will do a presentation at the November 17, 2008, Council meeting.

Budget Report: Mr. Bomberger distributed copies of the Budget Report through August 31, 2008, and reported on the Agency's 2009-2011 Biennium Budget Request, which has been submitted to the State Budget Division. A copy of the request was included in the meeting book. A copy of the Budget Report is included in the attachments to the minutes.

PRESENTATION BY IRONBRIDGE CAPITAL MANAGEMENT, L.P.: 12:15 p.m. to 1:05 p.m. The global manager presentations continued with Mr. Bomberger introducing Mr. Samuel T. Eddins, Director of Research and Mr. Matt Halkyard, Portfolio Manager. Mr. Eddins and Mr. Halkyard's presentation gave an organizational overview of the firm, philosophy, investment process, and objectives. A copy of the presentation was included in the meeting book.

Following the presentations by Mondrian Investment Partners, Ltd. and IronBridge Capital Management, L.P., Mr. Maginn moved to retain Mondrian Investment Partners, Ltd. and IronBridge Capital Management, L.P. as additional global equity managers for the Defined Benefit Plan, Cash Balance Benefit, Investor Select, General Endowments, and the HealthCare Endowment, pending legal review by the Council's attorney. Dr. DeFusco seconded the motion. Ms. Werner-Robertson called for a roll call vote.

VOTING AYE:	Mr. Riffel
	Ms. Werner-Robertson
	Dr. DeFusco
	Mr. Maginn

VOTING NAYE:	Mr. Dinkel
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The motion carried.

PRESENTATION BY INVESCO AIM: 1:05 p.m. to 1:40 p.m. Mr. Bomberger introduced Mr. John Cooper, Managing Director, Mr. Gary Wendler, Managing Director, and Mr. Brian Thorp, Institutional Sales Manager. Their presentation included a review of the firm, performance, and marketing strategy. A copy of the presentation was included in the meeting book.

PERB UPDATE: 1:40 p.m. to 1:53 p.m. Ms. Chambers discussed the recent retreat held by PERB in Kearney, which was attended by both Mr. Bomberger and Mr. Vandolder. Ms. Chambers thanked Mr. Vandolder for his presentation on the Asset Liability Study and updates on new Defined Contribution practices and 457 Plans. Mr. Vandolder's presentation was well received and appreciated by the PERB. Ms. Chambers noted that the DROP Plan is in place and currently has nine participants. The PERB approved a dividend for participants of the Cash Balance Benefit. A 5.18% dividend for State CBB participants and a 5.34% dividend for the County CBB participants. The dividend will be paid in October. The PERB also revised the policy on CBB dividends, which clarifies the crediting policy to read "All accounts with an account balance as of December 31 of the previous year will be credited with the dividend amount, except that no dividend shall be paid to any account with a final account valuation made on or prior to December 31 of the year for which the dividend is granted."

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Mr. Bomberger informed the Council that Mr. Ray Friesen's, Internal Auditor, last day with the NIC is today and that Ms. Jan Westerman has been hired as Internal Auditor. The next Council meeting will be in Lincoln at the Embassy Suites on November 17, 2008. This will be the annual joint meeting with the PERB. Photos of each board will be taken before the 8:30 a.m. meeting. Mr. Bomberger also requested members bring their calendars to the meeting to schedule the 2009 Council meetings.

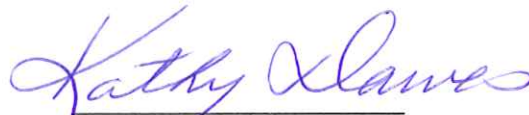
PUBLIC COMMENT ON THE AGENDA: 1:53 p.m. to 1:55 p.m. Ms. Werner-Robertson asked if there was any public comment on the agenda. There was no public comment on the agenda.

At 1:55 p.m. Mr. Dinkel moved to adjourn the meeting. Dr. DeFusco seconded the motion. Ms. Werner-Robertson called for a roll call vote.

VOTING AYE:

Mr. Riffel
Ms. Werner-Robertson
Dr. DeFusco
Mr. Maginn
Mr. Dinkel

The motion carried.



Kathy Dawes, Secretary